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1960
AGRICULTURAL FINANCE OUTLOOK

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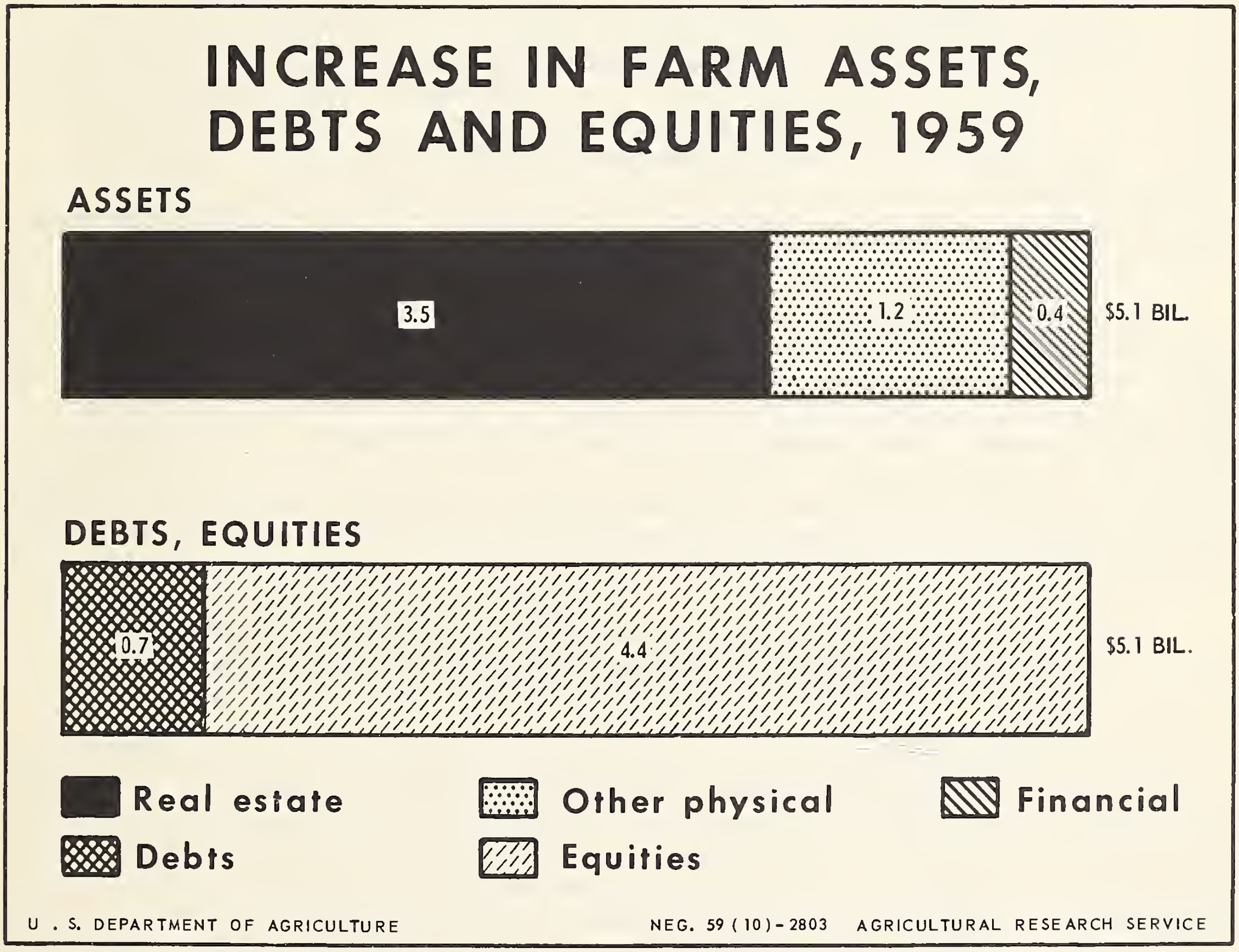

1960 AGRICULTURAL FINANCE OUTLOOK 1/

Approved by Outlook and Situation Board, November 6, 1959

1960 CREDIT AND FINANCIAL OUTLOOK FOR FARMERS

For most farmers, the financial outlook for the near future is not as favorable now as it was a year ago. In 1958, bumper crops and high prices of cattle and hogs raised farm income substantially and promised continued high income well into 1959. Moreover, farm assets and equities rose sharply in value in 1958. The financial position of farmers at the beginning of 1959 was favorable. The prospect now is less encouraging. Farm income has dropped substantially from the high 1958 levels, and a further decline seems to be in store for 1960. Farm assets and equities continued to increase in 1959 but by only 2 1/2 percent - the lowest percentage increase since 1955. There is a strong possibility that the rise in farm assets and equities may stop for a time in 1960 or 1961. Farm debts rose during 1959 and are likely to increase further in 1960.

By far the greater part of the increase in farm asset values during 1959 resulted from rising prices of farm real estate, increasing numbers of cattle, and additions to the motor vehicles and machinery on farms. Lower farm income will remove some of the stimulus to the land market and may discourage purchases of motor vehicles and machinery by farmers. A substantial decline in prices of cattle could reduce very quickly the value of the cattle inventory. Thus conditions that could bring the increase in farm asset values to a halt at some time in the next year or so are in the making or are already in existence.

Farm debts seem more likely to continue upward than do farm asset values. The farm-mortgage debt has risen each year since the end of World

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1/ In preparing this report, the Farm Economics Research Division, ARS, had the benefit of information received during late September from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve banks, and the farm-mortgage departments of several life insurance companies in various parts of the United States. Survey information from more than 850 banks was summarized and made available by the Agricultural Commission of the American Bankers Association. Special surveys in 26 selected counties, covering different types of farming and farm conditions, were made by agricultural economists of the Division. In these counties, 312 farmers and ranchers, 149 bankers and lenders, and 141 merchants and dealers were interviewed.

War II. Because of the trend toward farm enlargement and improvement, the debt probably would continue upward even if land values were to stop rising. Non-real-estate farm debt probably would decline for a time if substantial declines occurred in cattle prices and purchases of farm machinery, but the current prospect is that this type of debt also will continue to rise, at least through 1960.

The liquid financial reserves of farmers are likely to show little change in 1960, despite lower farm incomes. Since their sharp wartime increase, these assets have not responded sensitively to changes in farm income, although they increased substantially in 1958 as a result of high income. The accrual of interest on U. S. savings bonds increased the value of these bonds in most years, even when farmers cashed more bonds than they bought. Also, in years when income declines, the deposit accounts of farmers are often maintained by borrowing.

Although in general, the farm financial outlook, is less favorable this fall than it was a year ago, it varies considerably by types of farming and areas. The outlook for the operators of the larger and more productive farms and of those operators who have been able to expand their volume of business is considerably better than for those on smaller, less productive farms. In Aroostook County, Maine, the 1959 crop of potatoes is expected to bring much better returns than the 1958 crop, most of which was sold at very low prices; and cotton farmers in the Delta States will be in a stronger position next year than they have been in this if they have favorable weather for harvesting the present crop. A hopeful sign for broiler producers is a decline in placements. In contrast, the prospect for areas in which 1959 crops were seriously damaged by drought or disease is less favorable than last fall, at least for the period until another crop can be grown. This is true of an extensive area in the Dakotas that was seared by drought and of areas in Kansas and Nebraska, where mosaic disease damaged the wheat.

CREDIT AND FINANCIAL SITUATION OF FARMERS IN 1959

In most parts of the country, the financial condition of farmers this fall shows little change from a year earlier. The Delta States have a better and larger cotton crop than last year and will be in an improved financial situation if the weather is favorable for harvesting the crop. The situation is not as favorable as last year for wheat farmers in the Great Plains, whose yields this year are down from the bumper crop of 1958. Poultry and hog producers are also in a less favorable situation because of reduced prices for their products, and cattle feeders have had lower feeding margins this year than last. The worst conditions are reported from parts of the Dakotas that were affected by severe drought in 1959 and from Aroostook County, Maine, where the 1958 potato crop was sold early this year at very low prices (fig. 1). In general, however, the financial position of farmers has been sustained by the excellent returns from 1958 crops, many of which were sold this year, and by the continued favorable prices for cattle.

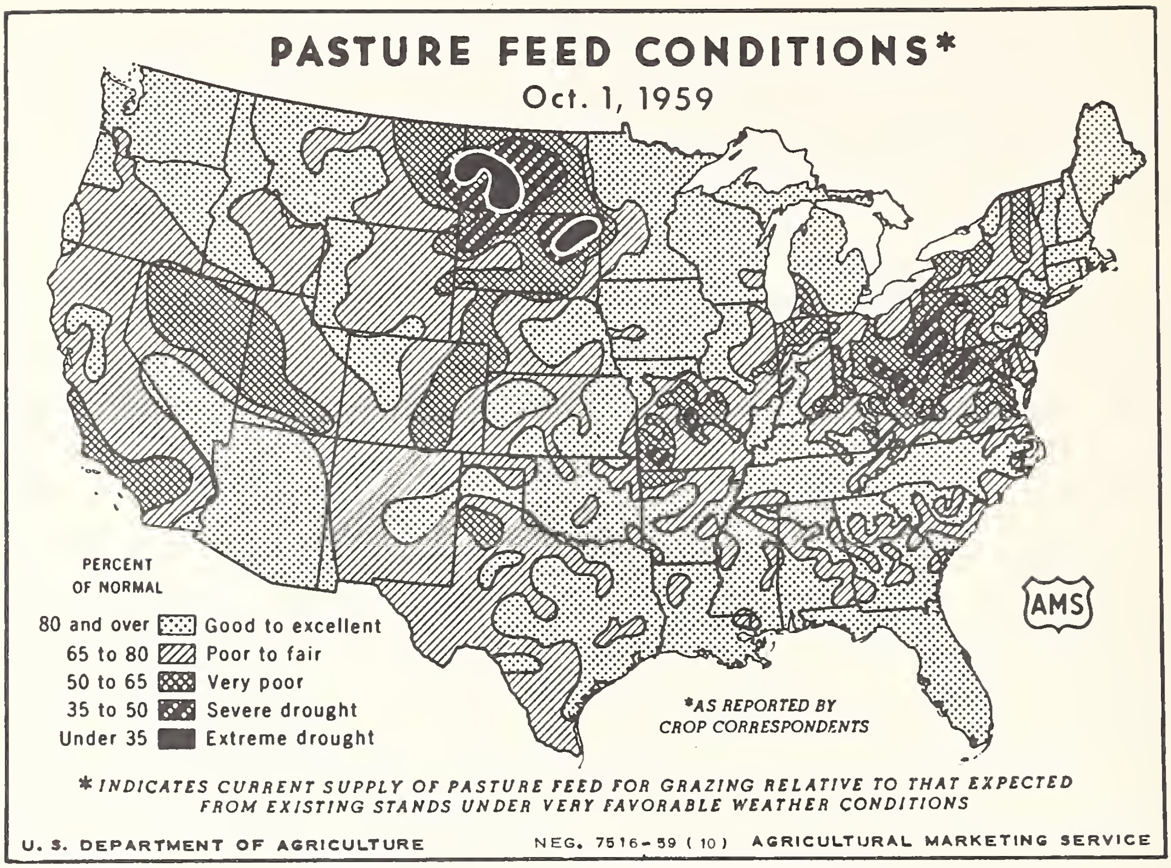

Figure 1

Farm assets and equities

The uptrend in farm asset values, debts, and equities continued in 1959 (table 1 and fig. 2). On January 1, 1960, farm assets will have a current market value of about $208 billion. Farm debts will approximate $24 billion and proprietor's equities, $184 billion. The assets and equities reflect increases during 1959 of about 2 1/2 percent, less than a third as large as the percentage increases that occurred in 1958 and the smallest percentage increase since 1955.

In 1959, as in other recent years, the rising value of farm real estate accounts for more than half the total increase in farm asset values. The value of the livestock inventory, however, has increased again in 1959, despite declining prices of hogs and poultry; farm purchases of motor vehicles, farm machinery, and household furnishings and equipment have continued to increase; and the financial assets owned by farmers also have increased slightly. The increasing numbers and the continuing high prices of cattle are responsible for the increase in value of the livestock inventory. Chiefly because of a smaller wheat crop and a change in the cotton price-support program, farmer-owned crop inventories are expected to be lower on January 1,

Table 1.- Balance sheet of agriculture, January 1, 1959, and estimate for January 1, 1960

Item	January 1, 1959	Estimate for January 1, 1960	Percentage change
	Billion dollars	Billion dollars	Percent
ASSETS			
Physical assets:			
Real estate	125.1	128.6	+2.8
Non-real-estate	59.0	60.2	+2.0
Financial assets	19.0	19.4	+2.1
Total	203.1	208.2	+2.5
CLAIMS			
Liabilities:			
Real estate debt	11.3	12.0	+6.2
Non-real-estate debt to:			
Commodity Credit Corporation	2.5	1.4	-44.0
Other reporting and nonreporting institutions	9.5	10.6	+11.6
Total	23.3	24.0	+3.0
Equities	179.8	184.2	+2.4

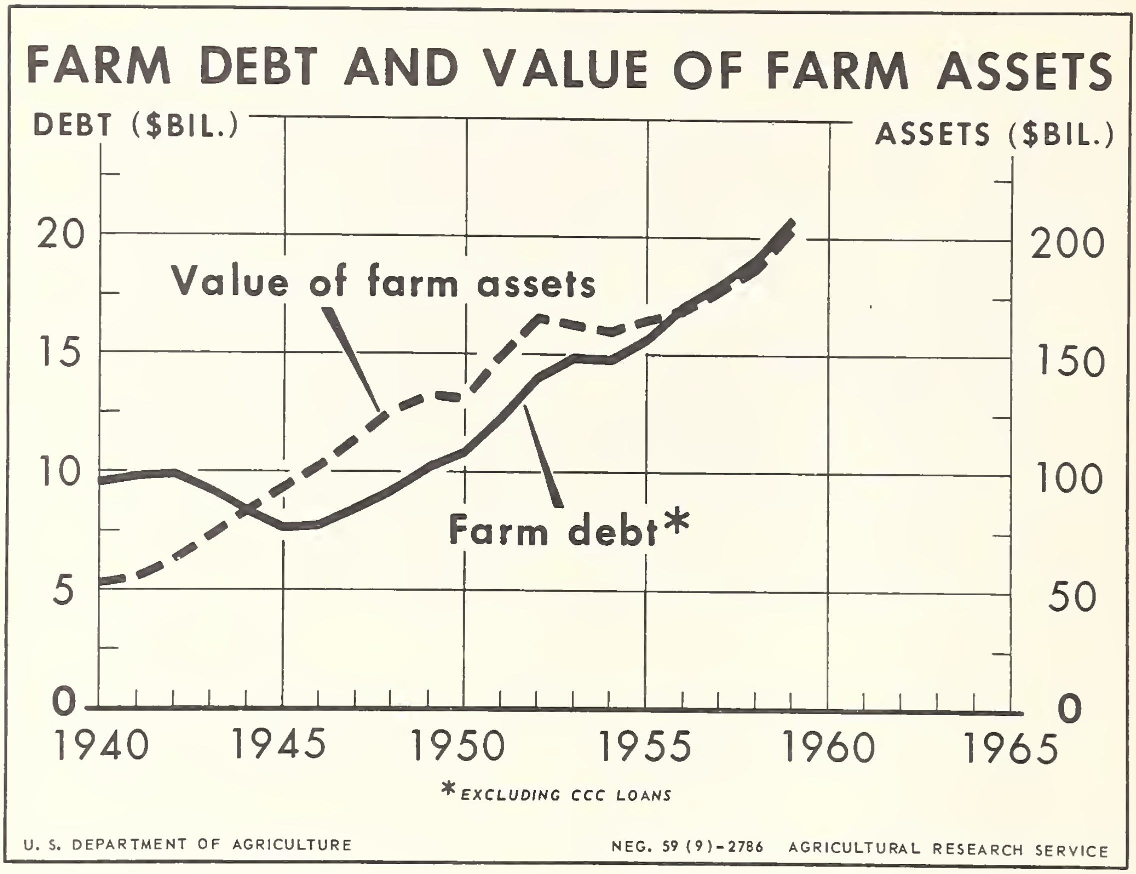

Figure 2

1960, than a year earlier. However, the record corn crop of 1959 will raise the inventory value of that crop above the level of a year earlier.

Farm real estate

Some slowdown, and possibly a halt to the steady rise in market values of farm real estate, seems probable in 1960. Although favorable income in 1958 continued to give strength to the farm real estate market through mid-1959, a lower level of farm income in the last half of the year and prospects for some further decline in 1960 are likely to dampen further increases in land values. In addition, the longer range outlook is clouded by uncertainties as to future farm programs, particularly for wheat and feed grains. Higher interest rates and greater selectivity on the part of lenders in extending farm mortgage credit may also reduce the effective demand for land.

These price-depressing factors will be partly offset by the continuing demand for land to enlarge existing farms for more efficient use of available labor and farm equipment. Despite lower income, there is likely to be sufficient demand for additional land by established farmers to absorb the relatively few farms and tracts that are offered for sale. Further expansion

in the general economy, inflationary pressures, and the need for land for nonfarm uses will continue to provide strength to the rural land market.

The market value of farm real estate continued to advance through mid-1959, although the rate of increase was a little less from March through July than in comparable previous periods. The national index of average value per acre for July 1, 1959, was 169 (1947-49 = 100), 1 percent above the March index and 6 percent above that of a year earlier. Increases during the year were general throughout the country, but were a little larger than the national average in the Northeast, the Southeast, and scattered States in the Southwest and the Mountain region. In the 4-month period ended July 1, values remained essentially unchanged in nearly half the States. The rate of increase continued to be about the same as in earlier periods in the Northeast and in the western third of the country.

The steady rise in per acre values since 1954 added about $30 billion to the total market value of farm real estate in a period when net farm income changed very little. As a result, residual returns to land as a percentage of market values have declined to the lowest level in several decades. 2/ In 1950-52, net income to real estate averaged about 8 percent of the market value, but the rate declined to about 4.3 percent in 1955-57. Although the rate rose to 6 percent in 1958, present estimates indicate a probable return of about 3 percent for 1959, and somewhat less in 1960. This level of return value would be about the same as in 1910-15 and 1925-29.

At the current relationship between values and income, repayment of debts incurred for the purpose of buying land will require superior management or substantial earnings from equity capital or off-farm jobs. Although about two-thirds of all current land purchases involve some financing, those who are assuming debt obligations appear to be predominately in one or the other of these two situations (fig. 3). A majority of the farmers who are buying land with which to enlarge their farms are the larger and more efficient operators in their communities. Thus, they have a considerably larger income base with which to meet debt payments than only the land purchased. Nonfarmers who buy land for part-time farms or retirement places, or for investment, usually have

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2/ Net income originating in agriculture, consisting of net income of farm operators, wages paid hired labor, interest on farm-mortgage debt and net rents paid to nonfarm landlords, was used as a starting point in calculating residual returns to real estate. Interest paid on non-real-estate debt also was added to net income. An allowance for all labor was computed by applying the prevailing cash wage rate per hour to the total number of man-hours in farm production. A charge for all non-real-estate capital also was deducted from net income to obtain the amount remaining as a return to farm real estate capital. Because of recent downward revisions in number of man-hours of labor, the returns to real estate discussed here are higher than those published previously.

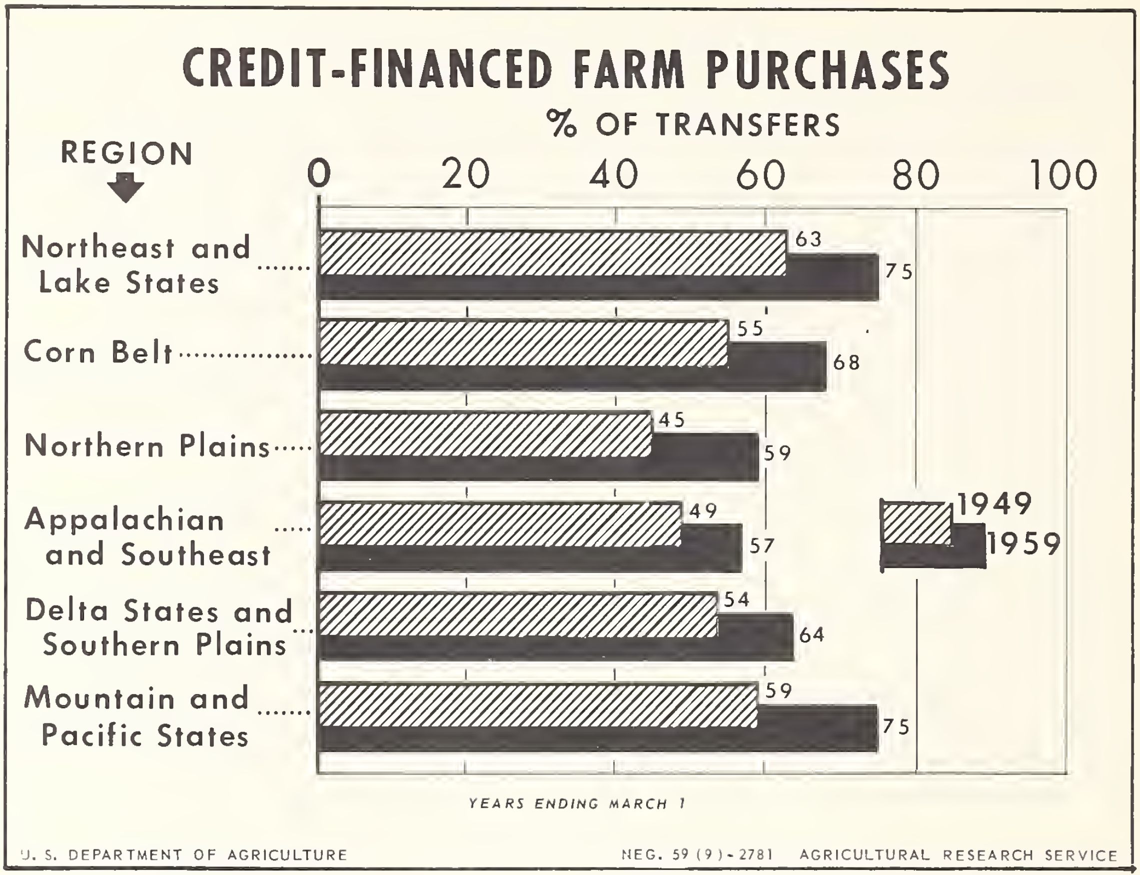

Figure 3

income from salaries or wages that could be used to supplement farm income if needed to meet mortgage payments. The purchase of complete farm units by beginning farmers without substantial family assistance is becoming increasingly rare.

The amount of debt incurred has remained at nearly two-thirds of the purchase price of the land bought in the last 2 years. About a fifth of the buyers using credit borrowed less than half the purchase price, but another fifth borrowed between 80 and 100 percent of the purchase price. Although some of these low-equity buyers undoubtedly owned other land free of debt, the majority used land-purchase contracts, rather than conventional mortgage credit, as a means of financing.

When land is bought under a contract, title remains with the seller until all, or a specified proportion, of the debt is paid. The buyer assumes an obligation to make the periodic payments specified in the contract, and in case of default, he can lose both the downpayment and any additional payments he may have made up to that time. Such risks can be reduced by specific provisions in the contract, but the extent of risk depends also on the legal status of contracts under various State laws. Contract buyers were not so

subject to these risks while land values were rising steadily and farm income remained generally favorable, but this would be the first group of farmers to feel the adverse effects of lower farm income. Those who have bought recently and still have small equities might not qualify for refinancing under conventional mortgage financing.

Financial assets

The financial assets of farmers on January 1, 1960, are expected to be a little higher than a year earlier. Indications are that the amount of currency and deposits owned by farmers will be up slightly, chiefly because of an increase in savings accounts, and that farmers' equities in cooperative associations also will show some increase. But no material change is expected in the redemption value of the U. S. savings bonds owned by farmers. In 1959, farmers cashed more bonds than they bought. Only the accrual of interest on the bonds they still hold will keep the total value of their bonds from declining.

Farm debt

Farmers have continued to increase their use of production credit in 1959. The non-real-estate farm debt excluding CCC loans is expected to reach $10.6 billion on January 1, 1960, an eighth higher than a year earlier (fig. 4). The increase in cattle numbers, and particularly in numbers of cattle on feed, which were bought at relatively high prices, explains much of the increase in non-real-estate farm debt. But this type of farm debt increased in every State during the year ending June 30, 1959. The increase in farm expenditures for motor vehicles, machinery, and farm improvements has also been an important reason for the rise in non-real-estate farm debt. Many farm expenditures for equipment and improvements have required extensive use of credit, even though the high level of farm income during 1958 and early 1959 increased the purchasing power of farmers. Some of the rise in non-real-estate debt from mid-1958 to mid-1959 probably reflected the increased purchases of fertilizer and seed that were used on the expanded acreage planted to cotton and corn.

Farm-mortgage debt also has risen in 1959. The amount of mortgages recorded was 27 percent larger in the first half of the year than in the first half of 1958. Total farm-mortgage debt is expected to reach about $12 billion on January 1, 1960, 6 percent higher than a year earlier (fig. 5). One of the main uses of credit secured by farm real estate is that of buying land for enlargement of farms. More than 40 percent of all farm real estate purchases in 1958-59, compared with 26 percent in 1950-54, were for farm-enlargement purposes.

Price-support loans of the Commodity Credit Corporation are the only type of farm debt that is expected to decline in 1959. The amount of these loans owed by individuals is expected to be about $1.4 billion on January 1, 1960, compared with $2.5 billion a year earlier. Chief reason for the decline is the change in the price-support program for cotton. Under the 1959 program,

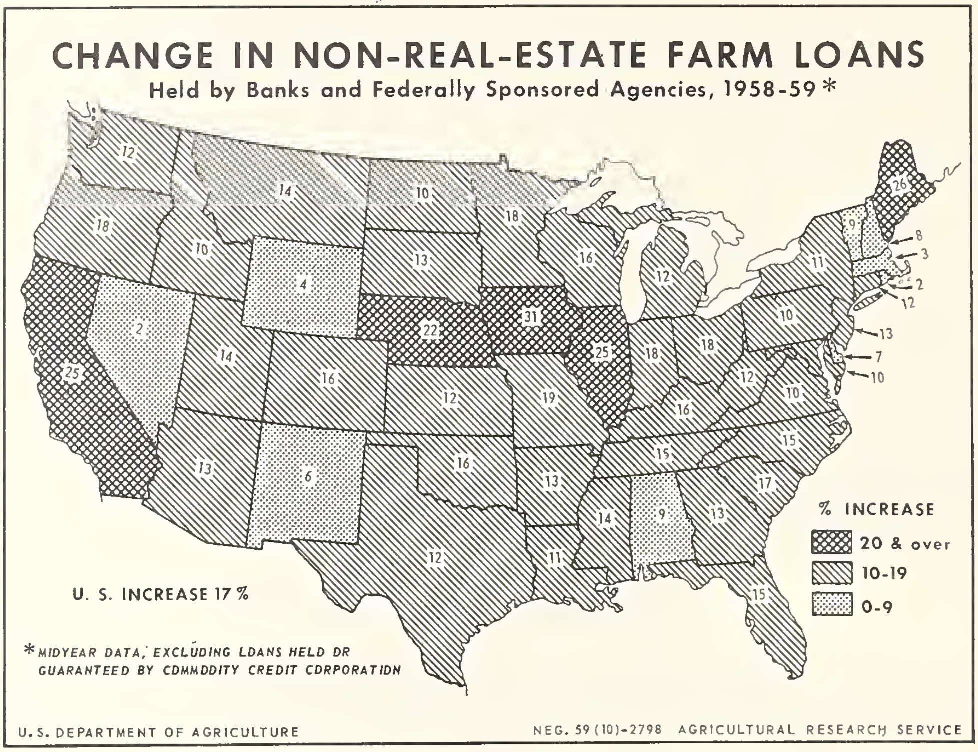

Figure 4

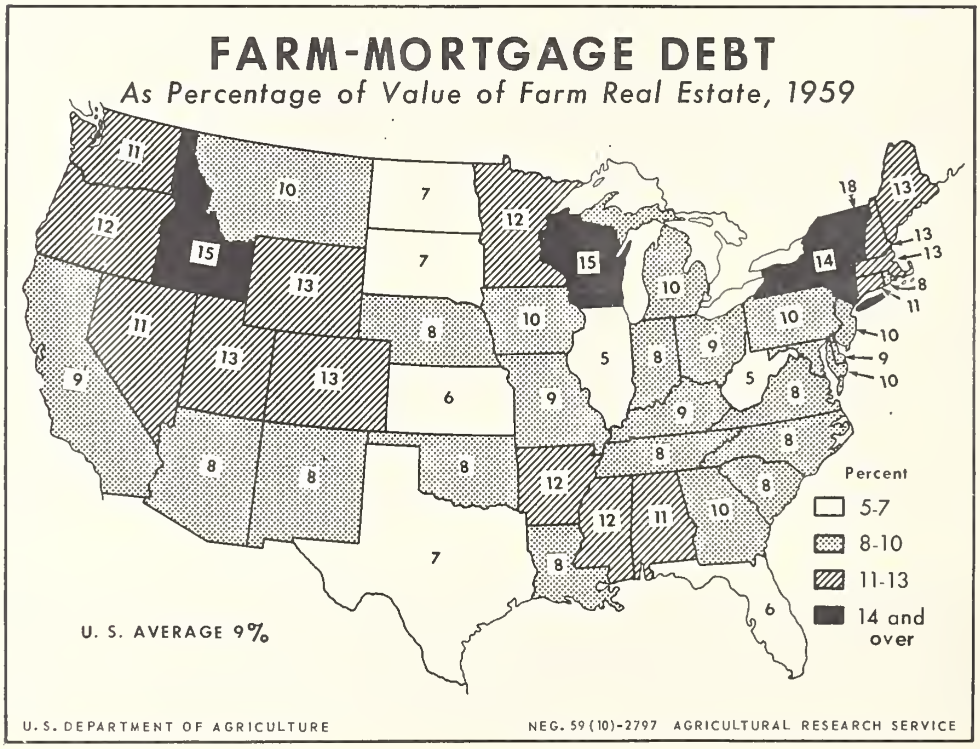

Figure 5

most of the cotton offered to the Commodity Credit Corporation is expected to be purchased by the Corporation instead of being placed under loan.

Payments of both mortgage and non-real-estate farm loans have been at a high level. Delinquencies are relatively low.

Availability and cost of credit

Interest rates on loans to farmers, as well as to other borrowers, have risen considerably during the last year. The rates charged farmers tend to move in the same direction as money market rates, but usually they lag behind them. Money market rates have increased sharply this year because of strong demands for an increasing but limited supply of credit.

Because of the higher rates in the money markets, the Federal land banks and production credit associations increased their interest rates on new loans to farmers. On October 1, 1959, 7 of the 12 Federal land banks were charging 5 1/2 percent and 5 were charging 6 percent on new loans, whereas a year earlier, only 3 banks were charging as much as 5 1/2 percent. 3/ On October 1, nearly two- fifths of the production credit associations were charging 7 percent or more for new loans. Only a few of the associations charged this much a year earlier.

Bank rates have not increased as much as have the rates of the Farm Credit agencies. The costs of banks are not tied as directly to money market rates as are those of the Farm Credit agencies. However, the interest rates of banks on loans to farmers are affected by the rates they can earn on alternative investments. A survey made by the American Bankers Association in September 1959 indicated that average bank rates to farmers had risen since last fall from 5.77 to 6.03 on real estate mortgage loans and from 6.55 to 6.76 percent on non-real-estate loans. The data available for a few life insurance companies indicate that their rates also have increased since last fall.

Although rising interest rates indicate a growing tightness of the credit supply in relation to demand, and lenders are reported to be screening applications for loans with increasing care, farmers obtained considerably more credit during the last year than in preceding years. Some banks are reported to be approaching a "loaned up" situation, but data for banks in 611 selected agricultural counties show that in agricultural areas the loan-deposit ratio rose only from 43.3 percent at mid-1958 to 44.2 percent at mid-1959. The amount of credit available to farmers and others has not been reduced. It has merely failed to increase as rapidly as demand for it has increased.

3/ Since October 1, four more Federal land banks have increased their interest rates to 6 percent.

Farm income and expenditures

Realized net income of farm operators was at an annual rate of $11.2 billion in the first 3 quarters of 1959; this is down $1.9 billion from 1958.

Realized gross farm income was at an annual rate of $37 billion, $1.2 billion below the record high established in 1958. The volume of farm marketings this year may be slightly larger than last year, but prices received are averaging about 3 1/2 percent lower. Increased cash receipts from cattle, cotton, corn, oranges, and tobacco are more than offset by reduced receipts from hogs, eggs, broilers, wheat, and sorghum grain.

Government payments to farmers, which totaled $1,089 million in 1958, will be substantially less in 1959 because of discontinuance of the acreage-reserve program. However, annual rental payments under the conservation-reserve program will total about $258.5 million, more than double the payments in 1958. This annual rate of payment will continue for several years, even if no additional land is entered under the program, because most of the land is under 5- or 10-year contracts.

Farm operators are spending more for current operating expenses in 1959 than in 1958, as a result of higher prices and an increase in the quantity of goods purchased. Farmers will have tilled 8 million more acres of cropland in 1959 than they tilled in 1958, which means more inputs of seed, fertilizer, and labor, and larger expenditures for repair and operation of farm machinery.

Gross farm capital expenditures for motortrucks, tractors, and other farm machinery this year may equal the 1951 peak. Aggregate investment in these three classes of farm equipment during 1959 is expected to be about 6 percent greater than in 1958. Capital investment by farmers in buildings and automobiles will be higher also. In some areas, more money was spent in 1959 than in 1958 for land clearing, drainage, standby irrigation facilities, and other land-improvement projects.

The increase in expenditures for farm capital goods in 1959 was the result of many factors. One was the increase in prices paid for farm machinery and motor vehicles. Another was the effort of farmers to increase farm efficiency through enlargement of operations and introduction of labor-saving machinery. The latter factor was buttressed by the high level of farm income in 1958 and early 1959, which enabled farmers to make the investments needed to increase efficiency.

Farm taxes

Farm real estate and personal property taxes payable in 1960 are expected to be approximately 6 percent higher than in 1959. The total is estimated at $1,420 million, compared with $1,343 million payable this year (fig. 6). Judging from preliminary reports on amounts levied in calendar 1959, the amount payable in 1960 will consist of about $1,170 million in real estate taxes and $250 million in personal property taxes. The corresponding amounts for 1959 are $1,103 million and $240 million, respectively.

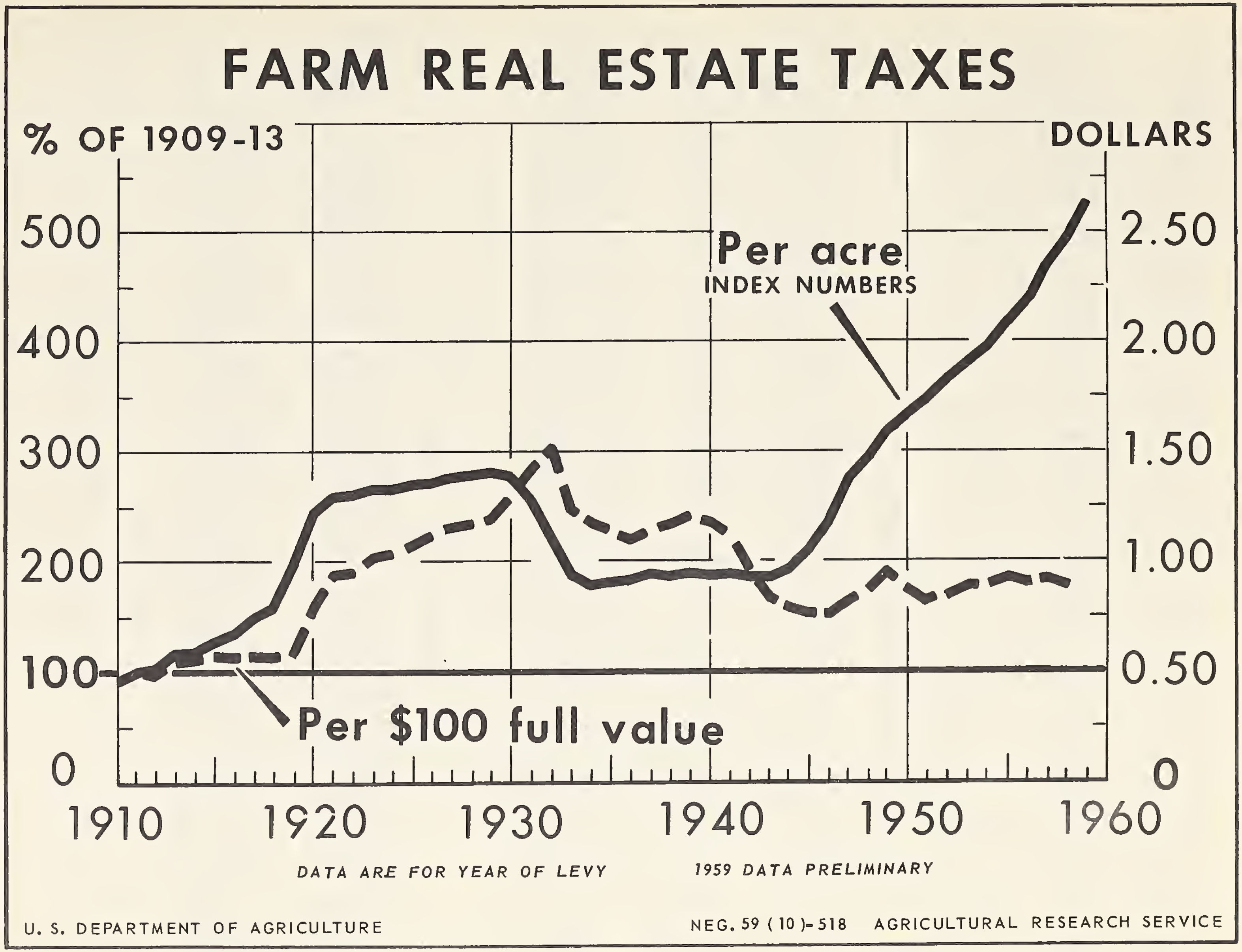
FARM REAL ESTATE TAXES
% OF 1909-13
DOLLARS
500
400
300
200
100
0
2.50
2.00
1.50
1.00
0.50
0
Per acre
INDEX NUMBERS
Per $100 full value
1910
1920
1930
1940
1950
1960
DATA ARE FOR YEAR OF LEVY
1959 DATA PRELIMINARY
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Figure 6

The expected rise in taxes payable on farm real estate will bring taxes to a record $1.09 per acre. This represents an increase of 65 percent in 10 years.

The basic cause of the continued increase in taxes levied on farm real estate lies in the steadily expanding revenue requirements of local governments. Taxes levied by these governments go for the support of many services including public education, roads, and public welfare. General expenditures of local government have been rising in recent years at the rate of close to 10 percent per year. There is little indication of any significant change in this trend in the immediate future.

Social security and conservation reserve

Payments to farm families from the Social Security and Conservation Reserve programs will be larger in 1960 than in 1959. Most of the aged farmers who began paying Social Security taxes on their self-employment income when they first became eligible in 1955 or 1956 had applied for benefit payments by the end of 1958. However, more farm families will receive benefit payments as additional farmers die or attain retirement age at 65. About 300,000 producers will earn payments from the 1960 Conservation Reserve Program as compared with 246,000 in 1959.

By 1960 many farmers will be eligible for the disability part of the Old-Age, Survivors, and Disability Insurance Program. An insured worker who becomes so disabled that he is unable to engage in any gainful employment may receive benefit payments, provided he has earned insurance coverage for 5 of the 10 years preceding the disability and has attained age 50.

REGIONAL SITUATION AND OUTLOOK

The following discussion of the financial condition of farmers in the different regions is based mainly on surveys made in late September. Information was obtained by interviewing farmers and ranchers, merchants, bankers, and other lenders and creditors in 26 selected counties. Information was received also from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve banks, and the farm mortgage departments of several life insurance companies. Finally, survey data from more than 850 banks were made available by the American Bankers Association.

Northeast 4/

In the New England States, gross farm income during 1959 will vary widely according to source. Gross income is expected to be about the same or a little better than last year for milk producers, but lower for growers of truck crops and producers of poultry and eggs. In the aggregate, gross income from farming in all five States is expected to be less than that of last year.

Hay, potatoes, and apples are important cash crops in the six New England States; in addition, tobacco and certain vegetable crops are important in Massachusetts and Connecticut. Production of apples and tobacco in 1959 is expected to surpass 1958 levels. The increased production of apples is expected to be more than offset by lower prices and, consequently, gross income from apples is expected to be less than that of last year. An increase in prices received for hay will partly offset decreased production. Potato production also has declined from 1958 levels, but as most of the crop will be marketed in early 1960, price comparisons are not available.

Eggs, broilers, and fluid milk are other important sources of farm income in New England. Income from eggs this year will be less than last year's - both production and prices are down. Broiler output will probably be about the same as in 1958, but prices are down from those of last year. As most broilers are produced under contract, however, lower returns from sales of broilers, because of low prices, will not be reflected fully in the producer's income. Gross income from milk is expected to be down slightly, as the drop in production has not been offset by general price increases.

The need for, and use of, credit on farms in New England is greater now than it was at the same time last year. This is the result of a smaller net income and, to some extent, expansion of the farming operations. In accord with the greater use of credit, lenders report that there seems to have been a change in attitude concerning its use. Farmers realize that greater volume and efficiency are necessary in order to compete favorably in the market, and that the only way of getting the funds necessary for expansion or investment in machinery without saving for a long period of time is to borrow.

Except for Maine, where potato producers have been particularly hard hit, repayments by New England farmers on loans have been good; delinquencies, carryovers, and foreclosures will be less than last year. The availability of off-farm employment, particularly in southern New England, has given farmers faced with a drop in farm income and lowered family living levels a way of supplementing income. Many farmers who were unable to expand or to increase efficiency have taken advantage of these opportunities. Off-farm work has increased, partly because of the long-term trend toward increasing off-farm

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4/ Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, Pennsylvania, and Maryland.

work by farmers but also because of the increased employment accompanying the recovery from the 1957-58 recession.

Lending institutions expect that the credit situation in 1960 will be tighter than it has been this year. Farmers with good borrowing records will be able to obtain credit if they want to pay more for it. According to lending institutions, others will need to adjust to some other type of employment if they are unable to operate without credit.

Potato producers in Aroostook County, Maine, and poultry and dairy farmers in Merrimack County, N. H., were interviewed to obtain detailed information on these farm types.

This has been a poor year for Aroostook County, Maine, potato producers. The 1958 crop, which was marketed in early 1959, sold for very low prices. As a result, producers were unable to repay loans for the 1958 crop and borrowed heavily in order to plant the 1959 crop. Delinquencies, carryovers, and foreclosures are, or are expected to be, higher this year than last.

Except for costs of seeds and fertilizer, direct operating costs are also higher than in 1958. Purchases of new equipment and repairs of buildings are being deferred, and investment in capital equipment is down, partly because of lack of credit, which is limited to critical needs by lending institutions, and partly because of the unfavorable income picture. The increased cost of local government is reflected in higher outlays for taxes this year.

Savings and reserves of farmers are lower than they were last year, but farmers are hopeful that their position will improve in 1960. This optimism is based on the fact that the smaller 1959 crop (most of which will be marketed in 1960) is above average in market quality and is expected to sell for more per unit than the 1958 crop.

In Merrimack County, N. H., in general, the year was a favorable one for dairymen. Growing conditions were good, milk prices were higher than in 1958, and the value of cull cows increased about 10 percent. Gross income on most farms was expected to be above the 1958 level.

In keeping with the trend toward larger enterprises, expenditures were generally above last year's levels. Taxes, current operating expenses, and capital investments were higher than in 1958. Much of the increased investment in capital equipment was due to the purchase of bulk milk tanks.

Credit, which was used to a greater extent than last year for farm operations, was readily available. And although the total indebtedness of dairymen had increased, neither the farm operators nor the lending agencies anticipated any carryover or increases in delinquencies.

Financial reserves of dairymen were generally about the same or slightly lower than last year. The concensus, however, was that, on the whole, dairy farmers are better off than they were in 1958.

Whereas dairymen were optimistic, poultrymen were generally pessimistic. Gross income was expected to be less than in 1958 on most farms because of lower prices for eggs and fowls. Exceptions were those farmers who had expanded their laying flocks during the year.

Expenditures were down for the majority of poultrymen. Expenditures for all nonessential repairs, new construction, and equipment were being deferred, and, consequently, were less than during 1958. Because of the low net income, debt carryover was expected to be increased.

Cash reserves were not expected to be increased this year over last year. A few farmers felt that a decline was indicated, but the majority thought there would be no change. In some instances, reserves were negligible.

As in New England, dairy farmers in the other States of the Northeast 5/ have had a good year. Production of milk is near last year's levels, and the price of milk is about the same. Over much of the area, weather was favorable for hay and pasture growth, which reduced the outlay for feed compared with that of last year. Prices of meat animals have held up, giving a good return for the cows culled from milk herds.

Poultry farmers have experienced a year of prices for eggs and broilers that were even lower than the low prices received last year. New Jersey producers are particularly hard hit; many of the small producers are giving up farming and are looking for nonfarm employment. The number of pullets raised for replacement is smaller than normal. Many farmers are raising no pullets this year and may discontinue operations in the future if conditions do not improve.

The situation on vegetable-producing farms is mixed. Prices and production in some areas are above those of 1958, while in other areas both are lower. In New Jersey and New York, production was up but prices were so low that in some instances, the crop was not harvested.

Tobacco growers in Maryland and Pennsylvania have had a good crop year, with production running above last year's average. The Maryland tobacco crop will not be sold until next spring, but Pennsylvania farmers, who have already sold their crop, report that prices for tobacco used in cigars are about the same as, or slightly higher than, those of last year. They report less quality downgrading on the part of buyers than was experienced in 1958.

Costs are up in all States. The investment in capital equipment is higher on dairy and general farms but much lower, on the average, on poultry farms. In total, however, capital investment in the area will be above that in 1958. There have been some reports of the neglect of farm buildings because of lack of income or credit, but in general, even on farms where the income outlook is not good, repairs and maintenance are continuing at minimum levels.

5/ New York, Pennsylvania, New Jersey, Delaware, and Maryland.

Although interest rates are higher than in 1958 and lenders are screening loan applicants closer than they did last year, the outstanding debt of farmers continues to grow. Farmers are borrowing more money to meet current operating costs, to purchase capital equipment, and, in some instances, to buy more land. Repayments on loans are higher than last year, while total carryovers, delinquencies, and foreclosures are lower.

Reserves and savings of farmers, on the average, are below 1958 levels; some farmers are using them to meet continuously rising operating costs.

Farmers who were unable to expand operations have turned to part-time farming, supplemented by off-farm work, in order to maintain their standards of living.

Production of fruit and vegetables in Orleans County, N. Y., has been adversely affected by the hot, dry weather during the growing season and the lower prices for much of their output. As a result, gross income will be lower than last year on most farms in the county. Operating expenses are up, particularly for gasoline and repair of machinery, thus reducing net income below that of 1958. Outlays for spray materials were less this year than last, reflecting the effect on grower practices of the low prices for apples. Spending for family and household goods is unchanged, while aggregate investment for building construction and repairs is a little higher than in 1958.

The amount of credit outstanding in Orleans County is up about 5 percent from 1958 levels. This increase is due to an increase in the average amount borrowed rather than an increase in the number of borrowers. This credit was used to cover operating expenses and to purchase farm equipment. Credit availability was practically the same as last year. Most respondents believed that a tightening of the situation could be expected in the near future, but that it would be felt mainly by marginal producers.

Credit needs in 1960 will be as great as they were in 1959 and might even increase a little under the pressure of continued expansion and increasing costs of operation. As off-farm employment opportunities are particularly good in this county, the trend toward part-time farming and the movement out of farming is expected to continue.

In Lebanon County, Pa., farmers, dealers, bankers, and representatives of the federally sponsored lending institutions were generally optimistic concerning 1959 prospects and the outlook for 1960.

Gross farm income, on the average, is expected to hold near last year's level. Although income on some farms will be down as a result of winter killing of oats and barley, the decrease will be offset by increased income on others, owing mainly to increased production and, in some instances, to better prices. Growing conditions in the county have been favorable this year. Tobacco growers expect a record yield per acre; hay production is up, and corn, the important feed crop, is doing well.

Gross income is holding steady, but costs continue to rise. Outlays for current operating expenses are up on most farms, partly as a result of an increase in prices paid and partly because of an increase in quantities purchased. Producers spent more for feeder livestock, usually because of increased prices, and more for other livestock, such as hogs and milk cows. The increased outlays for milk cows are the result of herd expansion rather than increased prices for replacement animals.

Farmers are investing in capital equipment at a slightly higher rate than last year. The shift to bulk milk tanks, which was required by one distributor in the county, has been largely completed. Producers selling to other buyers in the area are not required to make the shift at present. Producers who bought tanks last year are buying other machinery and equipment this year, so that their expenditures for capital equipment have not been reduced.

Farmers report an increase in expenditures for living expenses and taxes. No significant changes are reported in expenditures for household equipment.

Credit purchasing by Lebanon County farmers is more widespread this year than last. Loans outstanding at country banks are higher than last year, the result of larger loans per borrower. Merchants and dealers report more credit buying than last year. This increase is associated with an apparent change in attitude toward credit use. The narrowing of the spread between gross income and costs has made it harder for the farmer to accumulate cash. Rather than postpone purchases, especially for capital items, farmers have turned to credit. Although farmers were not expecting to carry over any past-due loans to next year, merchants are finding it harder to collect debts this year than in 1958. Merchants feel that an extra collection push is needed because of various factors, chief of which are the squeeze on available income and the caution induced by the steel strike. Although debt collections are harder to make, the number of delinquent borrowers is practically negligible, as was the case last year. No foreclosure actions are anticipated by any of the lending agencies.

The production credit association, National farm loan association, and the Farmers Home Administration, each have more loans outstanding in 1959 than in 1958. This is the result of (1) more investments in farm equipment, (2) higher production costs, (3) increases in the size of farm operations, and (4) consolidations of debts. All three agencies report an increase in the average size of loan.

The financial condition of farmers in the county seems to have declined somewhat from last year, under the pressure of a rising debt load on a constant income. For operators who want to borrow, adequate credit is available in the county for current operating expenses and other types of investment. Neither lenders nor borrowers expected the situation to change much during 1960.

Lake States 6/

Farmers in the Lake States are in a slightly weaker financial position this year than they were in 1958. Production costs and living expenses were higher throughout the area and gross income is expected to be lower. Receipts from farm marketings for the first 7 months of 1959 were off 3.6 percent from those of 1958. Receipts from crops held up better than those from livestock. Land prices continued their upward spiral, and this factor tended to increase the value of farmers' assets and their net worths.

Crop production will be somewhat higher in 1959 than it was last year, although there are wide variations within and among the States. Some areas of Minnesota and Michigan were hit by drought, but in most instances, the weather was favorable for growing crops. Production of small grain was generally below last year's production, but corn acreage and yields are higher, and hay and pasture crops were excellent. Michigan's major field and fruit crops are expected to average 10 percent above the previous high record set in 1958, but decreases in prices may result in lower gross incomes for fruit farmers.

Farm-mortgage debt in the Lake States has been rising steadily since 1946, and apparently this trend continued last year. Total farm-mortgage debt outstanding was nearly 5 percent higher in January 1959 than for the same month of last year. Lenders reported a heavy demand for credit to finance additions to existing farms. Most of them believe that the demand will continue to be high, but the supply is adequate and will continue to be sufficient for farmers' needs in 1960.

Similarly, demand for short-term credit was higher this year than last. Production loans went up sharply in the first half of 1959, and demand has remained strong since that time. Applications for loans with which to enlarge livestock production are expected to put additional pressure on the supply of short-term credit throughout the area in 1960. Drought in some locations may also result in further increases in demand for credit for feed purchases and other operating expenses. All lenders expect short-term production credit to be tighter than long-term mortgage credit in the coming year. Interest rates are already higher and loan applications will be screened more carefully, leaving some farmers unwilling or unable to obtain production loans at going rates.

Farmers in Mecosta County, Mich., are generally better off than they were last year, largely because of improved growing conditions for the 1959 crops. Yields of small grains were lower this year, but other crops are among the best ever harvested. Excellent yields of cucumbers and snap beans were reported, and hay and pasture production was much higher. The corn matured relatively early and both quantity and quality will be far above the drought-damaged crop of 1958.

6/ Michigan, Wisconsin, and Minnesota.

Gross income is expected to be higher on practically all cash-crop farms. General and livestock farms will have lower incomes because of low egg, poultry, and hog prices. On the dairy farms, income is reported to be about the same as last year. Prices for milk and cream were lower than last year's prices at the start of the season, but in recent months, they have risen above the 1958 level.

Because of the recovery from the 1958 business recession, off-farm earnings in 1959 have been higher for many farmers. Nonfarm employment was unimportant on the farms in this survey. Lenders and businessmen, however, reported that some farmers who are now working full time off the farm had only part-time or no nonfarm work last year.

Participation in the Soil Bank Program showed a definite increase in 1959 in Mecosta County, as it did throughout Michigan. The number of acres in the conservation reserve in the county in 1959 was almost double the total of acreage and conservation reserve combined in 1958, and more than six times as high as the conservation reserve alone in 1958. About 1 farm owner in 7 had a part or all of his land in the conservation reserve in 1959. Some businessmen feel that the Soil Bank Program has lowered their volume of business.

Production costs were up slightly on most farms. Higher feed and fertilizer purchases and rising taxes were the main items in the increased expenditures. Many dairy farmers ran out of hay in midwinter and were forced to buy roughage as well as grain to carry cows and young stock through the winter. Outlays for labor, gasoline, and machinery repairs were about the same as last year's and building construction and repairs also remained stable. Machinery purchases were higher this year on some farms and dealers reported increased sales of machinery including tractors and trucks.

The farmers interviewed said they had no difficulty in obtaining credit needed to finance current operations, and in some instances, to expand or to convert from the manufacturing to the fluid milk market. A machinery dealer noted a gradual increase in the number of farmers who financed machinery purchases through dealers rather than through banks. But he attributed this trend to farmers' expectations of better service when they financed machinery in this way, rather than to a shortage of bank credit.

Farmers expected to be able to pay off all bills and installments on loans as they come due this year, and lenders' records showed a decrease in the number of delinquencies from last year. Several dealers have started restricting credit extensions and are now charging interest on old accounts receivable. In some instances, these policies were adopted because the dealers' own creditors had instituted more stringent credit and collection policies.

Farmers and businessmen alike were optimistic about the financial situation in Mecosta County in the coming year. Farmers are carrying larger reserves of feed this fall than in 1958, and should be able to reduce feed purchases. Nonfarm employment is expected to remain at the present level,

enabling some farmers to supplement farm earnings. Costs are expected to continue upward, however, and lenders believe that the demand for credit will increase. It is likely that lenders and businessmen will consider prospective customers more carefully before granting loans or selling on credit.

Corn Belt 7/

Financial conditions varied widely among different types of farms in the Corn Belt this year. Cattle-feeding operations were generally profitable, but the decline in hog prices from the high levels of 1958 brought substantial reductions in the incomes of hog producers. Lamb feeders and poultry and egg producers also faced unfavorable price situations. The financial condition of dairy farmers and cash-grain farmers was reported to be about the same as in 1958.

Crop production remained high this year, although light and variable rains during the growing season reduced yields of corn and soybeans in the cash-grain areas of Illinois and Indiana. Outside the drought areas, yields were good. Soybean acreage was reduced and corn acreage increased in relation to last year's acreages.

Cash receipts from farm marketings in the Corn Belt were 3.6 percent lower in the first 7 months of this year than in the same period of 1958. Receipts from crops were higher than last year's but were not enough to offset the 6-percent decline in income from livestock. Production costs were slightly higher in most instances, but fertilizer prices were reported to be lower in some areas. Some lenders attributed most of the higher expenses to increased inputs rather than to increased unit costs. Taxes and living expenses were almost universally higher.

Demand for credit was higher in 1959 than in 1958 throughout the area. Farm-mortgage debt held by the principal lenders in the Corn Belt States was 6 percent higher at the beginning of this year than it was in 1958. Non-real-estate loans to farmers held by reporting lenders were up 24 percent. There is said to be more pressure for expansion of bank loans among nonfarm borrowers than among farmers and that this has tended to restrict bank credit to farmers. Some banks are reported to have reached their limit on farm loans and to be turning away some prospective borrowers. PCA operations have expanded somewhat, however, and PCA's have taken over some loans formerly made by banks. Interest rates are higher this year.

The debt-repayment situation is generally good. Farmers are making real estate mortgage payments on schedule, but repayments on non-real-estate loans are slower in areas where crop yields are lower. They are lower also on farms whose operators realized lower returns for hogs and poultry. Foreclosures continue at the low levels of recent years. Farmers' cash reserves are generally believed to be lower this year than last.

7/ Ohio, Indiana, Illinois, Iowa, and Missouri.

The outlook for 1960, given the same weather as this year, is not particularly bright. Higher prices paid for feeder cattle will narrow the feeding margins and reduce cattle feeders' profits. Low hog prices will cause a continuation of the present low returns to hog farmers. Dairy farms will show no great change in income. Demand for credit will continue to be high in relation to supply. Higher interest rates and more careful screening of borrowers are anticipated.

Surveys of three Corn Belt counties provide details on local farm credit and financial situations.

Income in Benton County, Indiana, is dependent largely on the sale of crops, chiefly corn and soybeans, produced in the preceding year. All crops in Benton County had high yields in 1958, although they were at about the same level as in 1956.

During 1959, the acreage of corn increased, but the acreage of soybeans declined. The weather varied greatly throughout the growing season, causing corresponding variations in crop yields. Some farmers expect to harvest only slightly more than half as much corn this year as they produced last year.

More farmers plan to place their corn under CCC loan in 1959 than did so in 1958. The 1959 crop should be dry enough to seal late this year, so many farmers may have the income from two corn crops in one year. Hog producers enjoyed favorable income from fall and winter pigs, but most farmers did not have enough hogs to affect farm income to any appreciable extent. Farmers with beef herds were able to sell feeder calves at excellent prices; but like the hog producers, their volume of sales was small.

All lenders reported a larger total volume of loans to farmers. The amount loaned per borrower was higher, and the number of borrowers increased slightly. Apparently, a part of the difference was due to the greater machinery and automobile purchases reported by dealers.

Lenders are continuing the rates of interest that were charged a year ago with the same variation among classes of borrowers. No farmers reported a difference in terms. There are relatively few delinquencies and no foreclosures were encountered, although some farmers with inadequate units have been discouraged from borrowing further to remain in farming.

The pattern of financial reserves and savings is variable. Several farmers reported that they were in better financial condition now than a year ago. Farmers in general reported that their liquid reserves were the same or lower than a year ago. Three of 12 farmers interviewed in this county had invested in stocks or bonds in the last year.

Operating expenses were frequently higher because fertilizer was applied at a heavier rate or on a larger acreage of corn. Repairs and taxes were somewhat higher on most farms. Building investment required major funds on several of the farms in the sample.

Some families indicated that their family living expenses were higher. Higher prices had some effect but growing families were mainly responsible for the higher family and household costs. More farmers invested in machinery, automobiles, and household appliances in 1959 than in 1958, and they are reported to have shopped less carefully among the various dealers than they did a year ago. Dealers reported no difficulty with collections nor did they have any problem in obtaining credit to carry on their businesses.

During the coming year, bankers may have difficulty in maintaining their liquid reserves if they continue to meet expanding demands for loans. This may make them more selective in the loans they make to farmers and others. Although there are no current indications of increases in the interest rates charged by local banks, any further change in money market rates may cause bankers to increase rates.

Liquid reserves of farmers will be reduced further during the coming year. More farmers are likely to shift their deposit accounts to more profitable nonfarm investments, such as stocks, bonds, or building and loan association shares. A few farmers in areas with lower crop yields will draw on reserves for operating and living expenses.

The net worth of farmers with cattle-feeding operations in <u>Bureau County, Illinois</u>, was higher in October 1959 than in October 1958. At the same time, the farm income of these farmers was lower, because most of them also produce hogs, and hog prices declined from the high level of 1958.

Crop yields in the area have been excellent for the third consecutive year. The price of corn has been creeping lower, but grain prices are of limited concern to cattle and hog producers so long as the livestock-feed price ratio remains favorable.

Purchases of durable capital items, such as machinery, equipment and building materials, were either about the same or larger in 1959 than in 1958 on the farms included in the survey. Amounts invested in these facilities in 1959 were substantial, but the rate of increase in expenditures from 1958 to 1959 was less than during the 1957-58 period when all farmers reporting increased their purchases.

Farm operating expenses increased slightly over the 1958 level chiefly because of price increases for some items. Outlays for feeder cattle are higher than they were in 1958 on those farms whose operators have completed their replacement programs. Probably, this will be generally true for all cattle feeders as fall purchases are completed. As a result of a rate increase throughout the area, taxes are higher for all farmers. Farm families reportedly bought as many or more household goods in 1959 as in 1958, and most felt that living expenses were somewhat higher in 1959.

Credit purchases of operating supplies and durable capital items are higher for the area as a whole, according to merchants and lending institutions. The cattle feeders interviewed are not borrowing as much for such purposes this year as in 1958, however, because they have reduced their purchases of

capital items and have had more cash than they had last year. Total debts on feeder cattle farms are the same to smaller than a year ago, but will likely increase with the purchase of replacement stock.

All lending agencies report an increase in loans outstanding to farmers in 1959. Credit sales by merchants are higher than in 1958. Generally, both the number of borrowers and the amount per borrower have increased. Loans for all purposes are above the 1958 level, but loans for purchases of farmland and operating expenses show the most consistent increase.

Collections on credit accounts have been good for the most part, but a few merchants report that payments are somewhat slower than last year. Banks and other lending agencies will carry a few more delinquent borrowers into 1960 than in 1959. A few more farmers have been refused credit this year than in the past. The supply of money is tighter and interest rates are higher. One bank in the area reported that it is near its limit in farm credit with much of the feeder cattle purchases yet to be made. The debt repayment situation is still relatively good, however, and none of the farmers contacted had carried overdue obligations into 1959. All expect to be able to pay 1959 debts as they come due.

Although net worths are up, lending institutions rate the financial condition of cattle feeders and hog producers, the chief types of farmers in the area, as somewhat poorer than in 1958. Apparently, more weight was given to the lower cash income than to increases in inventories and land values. Grain and dairy farms in the area hold about the same position as in 1958.

Economic conditions in Bureau County are somewhat better than for the State as a whole. The cash-grain area suffered from drought in 1959, and total crop production there may be down as much as 20 percent. Farm-to-farm variations in yields are quite large as a result of localized showers in the drought area. Livestock enterprises in other areas of the State fared about the same as similar areas in Bureau County.

In Story County, Iowa, the cost-price squeeze continued to make itself felt. Crop prospects are as good as or better than last year's record production. Although crop and livestock output are high, low farm prices, particularly for hogs, have reduced gross farm income. Higher prices for things farmers buy tend to depress the net farm income further below 1958 levels. The effects of nonfarm income, social security, and the soil bank are small in this county and do not differ significantly from those of last year.

Although farmers' attitudes toward credit have not changed noticeably, the volume of loans outstanding has increased. Larger loans per borrower have accounted for most of the increase. Higher costs for operating expenses, taxes, living expenses, household improvements and machinery, as well as more purchases of the latter, seem to be the chief reasons for the larger volume of credit compared with the 1958 volume. Although the supply of credit seems to be adequate at present, lenders are raising interest rates and tightening up somewhat on new loans. The uncertainty of feeding margins owing to higher priced feeder cattle, lower hog prices, and the expected price-depressing

effect of a growing surplus of feed grains add to this attitude of caution. However, carryovers and delinquencies are expected to be small and foreclosures rare exceptions.

The movement of farmers out of agriculture remains about the same as in 1958. Most of those who quit farming because of poor financial condition had left before 1959. Those remaining have slightly smaller financial reserves than last year. In general, those farmers who have been able to expand their volume of business are in a slightly better position than they were last year, whereas those unable to make this adjustment find the cost-price squeeze reducing their net income and cutting into their financial reserves.

Hog producers and operators of general farms are in somewhat poorer financial condition than they were in 1958. Operators of other types of farms are in about the same condition as last year.

While crop prospects are excellent in most of the State, the cost-price squeeze is more critical in the southern counties. There, poor quality land and somewhat less efficient combinations of resources make reductions in net farm income more critical than in Story County.

In general, the outlook is for less favorable conditions in 1960 than in 1959, because of higher operating costs and lower farm commodity prices.

Appalachian and Southeast 8/

The financial condition of farmers in the Appalachian region and in the Southeast is about the same as a year ago. Considerable variation exists, with farmers in some areas reporting their financial position as moderately stronger and others as a little weaker. Much of this variation is due to localized crop or livestock situations. In general, 1959 has been a good crop year. With the exception of a few isolated areas, production and yields of all types of crops are expected to be very good this year. Prices of both tobacco and cotton have been favorable. Citrus prices have been especially good, but truck-crop operators generally have had unprofitable operations because of low prices and low yields. Beef cattle and dairy farmers have had a comparatively good year; feed crops and pastures have been average or better and prices have been favorable. Except for turkey growers, poultry operators have received relatively low prices for their products and many have suffered substantial losses. Gross farm income may prove to be higher than a year ago, but net farm income in these regions probably will not increase because of higher operating costs. In some areas, farm income has been reduced because of the cost-price squeeze, and has been supplemented with income from nonfarm employment. Social security and soil-bank payments have increased the incomes of some farm people.

8/ Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Farmers' needs for credit continue to increase along with higher operating costs and the trend toward larger operating units. Lending institutions report that farmers are using an increasing amount of credit, but the number of borrowers has not increased as much as has the average amount loaned per borrower. In general, ample credit is available to farmers, but in a few instances, commercial sources report a lack of funds for lending purposes. With the high cost of money, preferential rates are not being offered to some borrowers as in previous years and marginal borrowers are finding it more difficult to obtain credit. In some areas, loan renewals may show a slight increase, but it is not anticipated that the number of delinquencies and foreclosures will be higher in 1960 than it has been in 1959.

Financial savings and reserves of most farmers are small and are being reduced to some extent for farm operations. Bankers in several areas reported that farmers had used some cash reserves for purchase of equipment and other capital improvements. Despite the cost-price squeeze, farmers have spent more in 1959 for household items and family living. Higher prices and higher levels of family living were mentioned as the factors responsible for the increased spending.

In general, owners of the larger and more productive farms are in a strong financial position. Owners of small farms are unable to compete with larger operators and in some instances are selling to them. Some small farmers are improving their financial position with off-farm employment. With the cost-price squeeze likely to become greater in the coming year, some small operators may be forced to discontinue farming.

Detailed information from counties representing various types of farming was obtained through special surveys. Laurens County, South Carolina, was surveyed as representative of the cotton-producing areas of the Southeast. Gross farm income in this county is expected to be somewhat higher than last year. The increase in gross farm income will probably be offset by an increase in production expenses, with the result that net farm income is not expected to differ greatly from that of last year. In general, the larger, more efficient operators are making fairly good progress. Beef cattle and dairy farmers are doing as well or better than last year. Without the acreage-reserve payments of last year, farmers who depend heavily on cotton will do well to maintain their financial status of last year. Off-farm income continues to be substantial, with the shift to nonfarm activities continuing, particularly on the part of wives and other members of the operators' household. Income from social security continues to increase as more older farmers reach retirement age.

Farmers in the area continue to be conservative toward the use of credit. The total volume of operating loans to smaller farmers tends downward for all agencies. Commercial banks in this area appear to be making fewer, but larger, loans to the larger farmers who are established customers. Other lending agencies are also making larger loans to farmers. Credit seems to be generally adequate to meet demand, but it is becoming more restric-

tive for the higher risk operations and more costly for all farmers. Loan payments are currently satisfactory, with carryovers and delinquencies at a low level.

It is not likely that the credit and financial situation of farmers will change much in the coming year. The larger and more efficient operators will continue to make progress while the smaller and less efficient operators will be faced with greater difficulties.

Tobacco is the major cash crop in Wilson County, North Carolina. Production of tobacco this year is estimated to be down 200 or more pounds per acre. Although prices for comparable grades of tobacco appear to be substantially higher than last year, particularly those for the lower grades, total income from this crop will be less than that of 1958. The corn crop compares favorably with that of last year but cotton yields are down. Livestock numbers are increasing, but income appears to be down from last year. The continued rise in cost of production is contributing to the substantial reduction in net income during 1959. Nonfarm employment adds little to the income of most farm families in Wilson County. Social security is an increasingly significant factor in the financial situation of the county.

Farmers' needs for credit seem to have increased slightly from last year. As the season advances, the need will become more pronounced. With expectations for reduced income, farmers are more cautious in using credit and lenders are more selective than before. Despite the less favorable financial situation, most farmers will be able to meet current payments on their debts.

Spending for farm operations, maintenance of buildings and equipment, new equipment, and family and household operations is up from the previous year. The reduction in income this year probably will curtail spending for these purposes next year.

The less favorable economic climate for farming will tend to further the movement of farmers out of farming. Wilson County has many small and few large farms. The reduction in returns from tobacco this year will be more serious for the relatively small farms, as their operators are more dependent on this crop for farm income. As the larger farms are somewhat more diversified, their operators are less subject to wide fluctuations in income.

Small-scale farming is important in Grainger County, Tennessee. Farm receipts were a little larger in 1959 than in 1958. The production of burley tobacco, the leading source of income on small farms, was slightly higher than in 1958. Numbers of beef cattle were up from a year ago, but production remained about the same because abnormally dry weather in late summer and early fall severely reduced pasture production. Prices of major products were as strong as a year ago. Because of rising farm costs, operators generally will have no more net cash income from farming than they had a year ago. Nonfarm

income will be higher than a year ago because of some rise in off-farm employment and a substantial increase in Social Security payments.

The 1959 volume of loans made by credit agencies did not change materially from the 1958 volume. Although fewer loans were made for purchases of machinery and farm improvement, more were made for the purchase of real estate - chiefly small farms bought by part-time farmers. Most small-scale farmers depend on merchants and dealers for the greater part of their credit needs. Delinquencies and foreclosures are at low levels and remain unchanged from a year ago.

Among the small-scale farmers, those with tobacco and family income from off-farm jobs were in the strongest financial position. Grade A dairy-tobacco farms and beef-tobacco farms of efficient size were in the best financial position among the commercial farms. The volume of credit available to farmers in the year ahead should be adequate to fill reasonable requests. Failure to request credit probably limits expansion of credit of more farmers than does lack of net worth.

The financial position of farmers in Terrell County, Georgia, seems weaker now than it was a year ago. Unfavorable weather during planting and harvesting has reduced both yields and quality of cotton, peanuts, and corn. Lower prices for peanuts, corn, and hogs, in particular, have reduced farm income below last year's level on most Terrell County farms.

The credit needs of farmers in Terrell County were greater this year than in 1958 - mainly because of increased operating expenses. There was some indication also that farmers may have overextended themselves in the purchase of goods and services, and in the payment of debts following the 1958 crop. This has depleted their financial reserve, and some of them are finding that they need more credit than they had anticipated. Most respondents felt that no change had occurred in the availability of credit this year compared with last. There seemed to be a tendency, however, on the part of some creditors and lenders to be more selective of borrowers. Farmers with small crop allotments and carryover loans from previous years had some difficulty in obtaining adequate credit for this year's operation.

For the State of Georgia as a whole, the debt and financial position of farmers on general crop farms is weaker than that of farmers on crop-livestock or primarily livestock farms. Good pastures and fairly strong prices for beef cattle have improved the financial position of livestock farmers this year compared with 1958. Producers of both eggs and broilers experienced a difficult year financially. As they have done in the last few years, farmers in Terrell County and in the State as a whole face difficult adjustment problems. Many farmers in Georgia are turning to off-farm employment to supplement their incomes, others are enlarging their farming operations by renting or buying additional land.

The growing season in the Black Belt of Alabama, represented by Dallas County, has been almost as favorable in 1959 as in 1958. Yields

of hay and pasture crops have been high. As a result, the year has been almost as productive as 1958, for dairy and beef farmers. Cotton yields are spotty in the area surveyed, but a majority of farmers are getting increases over last year.

Favorable weather and crop conditions have been accompanied by somewhat higher commodity prices. The increase in gross income is largely offset by higher costs of production in all commodities. In general, income from off-farm employment is of minor importance. The soil bank and social security affected very little the financial position of the farmers interviewed.

Credit was adequate from most sources. Carryovers and foreclosures were practically nonexistent.

Savings of farmers are equal to or somewhat larger than a year ago, although expenditures for farm operations and family living are somewhat higher. Construction of buildings and purchase of equipment are slightly below 1959.

In Central Florida, the financial situation differs with the type of enterprise. Citrus growers are in a more favorable financial position than they were a year ago because of both larger production and good prices. Good progress has been made in recovery from the freeze of a year ago. Steady growth in the citrus business is requiring the use of more credit. This credit is available from the local lending agencies. The citrus growers have no serious problems at present. Their income is good and their credit situation is excellent.

The watermelon-vegetable area of Sumter County, which is representative of west-central Florida,has had two unsatisfactory years in succession. The last 2 years, producers lost a good part of their watermelon crop, and although yields of vegetables were fair, prices were not sufficiently high to give them an adequate income. As a result, one lending agency reported an increase of 25 percent in outstanding loans this year over those of a year ago. Banks have tightened their credit policies and have screened their prospective borrowers more closely. Merchants and dealers have more book credit outstanding, and collections are slower. Despite the generally unsatisfactory situation in the watermelon-vegetable area, it is still possible for most producers with established credit ratings to obtain needed credit to carry on their operations.

Growers of winter vegetables on muck soils are in about the same position as a year ago. Their units are characteristically large and require a heavy capital investment. Credit requirements of some of the larger growers run into large sums. It seems, however, that they are able to obtain needed credit.

Delta States 9/

If favorable weather prevails in this area during the rest of the harvesting season, the returns from cotton, the main cash crop, are expected to be higher in 1959 than in 1958. In addition, the income from soybeans, rice, and corn is expected to increase, despite the lower prices received. Livestock producers, who have been favored with good pastures and stable prices, are also expecting to gross more in 1959 than in 1958. Income from broilers in Mississippi is expected to top last year's levels, with increased marketings more than offsetting lower prices received. In Arkansas, however, income from broilers will probably be less than it was last year, the result of lower prices more than offsetting increased marketings.

Debt carryover from 1958 was above normal because of the damaging weather experienced during late 1958. The carryover into 1960 is expected to be below that into 1959. However, owing to the carryover from 1958, the outstanding total debt of farmers is higher in 1959 than in the previous year. Delinquencies and foreclosures are expected to be down from last year's levels as the large crop will allow payment of some of the debts of the previous year and operating costs of the current year.

Operating costs, including interest rates, were higher than in 1958. Certified seed was scarce and high-priced; machinery repair costs were up because of the use of equipment that should have been replaced in 1957 and 1958; cultivation costs were higher because of continued rainfall; and fertilizer expenditures were up because of greater use of fertilizer.

Nonfarm employment continues to be important as a source of funds for many Delta farmers. As the cost-price squeeze continues, more and more small farm operators are expected to turn from full-time to part-time farming or to move out of farming entirely.

The demand for credit in 1960 is expected to exceed the 1959 demand. Lending institutions expect more farmers to elect plan "B" under the cotton price-support program next year, which will mean more acres in cultivation and larger total operating costs. However, most lenders felt that adequate credit would be available, but that screening of applicants would be more thorough than it has been in the past.

The most important crop in Mississippi County, Arkansas, is cotton, with secondary enterprises of soybeans, alfalfa, small grains, truck crops, and beef cattle. Cotton production in the county this year is 60 to 70 percent above 1957 and 1958 levels and about 30 to 40 percent above normal, the result of favorable growing weather and an acreage-allotment increase of about 40,000 acres. This favorable combination will bring about a substantial increase in gross income from cotton. Favorable weather, which aided cotton production, is responsible also for above-average production of soybeans, small grains, and corn.

9/ Arkansas, Mississippi, and Louisiana.

Expenditures by farmers in Mississippi County, Ark., were higher than in 1958. Contributing to higher outlays were expenditures for seed, machinery repairs, increased cultivation, and fertilizer. Living expenses and taxes were also higher than for the comparable period in 1958.

Compared with a year ago, indebtedness of farmers in this county is down. Harvesting of crops was in progress at the time of the survey, and many farmers had sold enough of their crops to repay all borrowings and credit purchases made in 1959. The carryover of farm debt into 1959 was high and resulted in some curtailment of credit during 1959. However, carryover of debt into 1960 is expected to be lower.

Southern Plains 10/

Favorable prices and excellent forage conditions during 1959 have strengthened the financial position of livestock farmers in Oklahoma and Texas. Wheat farmers, however, have had a disappointing year because of the generally dry winter and spring. In eastern sections of Texas, cotton producers also have not fared well. Heavy infestation of insects, weed growth, and an increase in cotton root rot - the result of widespread and continuing rain during the latter half of August - reduced yields on most spring-planted crops. For the area as a whole, gross income is expected to be maintained near the 1958 level.

Production costs have been above the 1958 level in both States. Wet weather has increased expenditures for poisons, labor, and materials for replanting, especially for cotton. Increased acreage in cultivation also pushed outlays upward. Livestock farmers have expanded herds to utilize available forage and, as a result, have spent more than they spent last year.

The factors that have led to increased expenditures have also contributed to the increase in the use of credit, which has been greater this year than last. Enough credit has been available to farmers and ranchers to enable them to carry out current operations, expand if they wish to do so, and invest in new capital equipment.

In this area, as elsewhere in the United States, the trend toward increased size of operating units continues, with the large units growing larger and the small ones not changing or their operators getting out of farming. Small farmers who continue operations usually do so on a part-time basis and supplement their income with off-farm employment.

In Navarro County, Texas, which is located in the Blackland area of northeastern Texas, gross income from crops will be down from 1958 levels, chiefly as a result of generally lower cotton yields resulting from uneven stands, and reduced grades caused by root rot and insect damage. Cotton planted early fared much better than late cotton (some fields were replanted as many as four times), which was handicapped by June and July rains that prevented or delayed cultivation and pest control. The cool, wet weather

10/ Oklahoma and Texas

that affected cotton adversely was ideal for the growth of abundant pasture. Consequently, there has been some restocking of pastures by livestock producers to utilize available feed.

The demand for credit in the county is up from last year. Farmers and lending agencies feel that this is a result of shifting away from cotton farming to livestock operations, and of the increase in operating expenses over last year, especially for pesticides, fuel, and machinery repairs.

Carryovers of loans into 1959 were high, but lending agencies expected even higher carryovers into 1960. No foreclosures were reported by institutional lenders.

The prospect of a poor crop year has had an adverse effect on expenditures by Navarro County farmers. Inadequate cash returns have forced most producers into economies on all except the most essential purchases. Construction of new farm buildings and investments in new farm machinery is practically at a standstill; repair expenses for farm machinery are up, because of continued use of old machines. Despite the relatively poor income year, the basic agricultural adjustments in the area, that is, the movement toward fewer and larger farms, is continuing, as reflected in the increase in loans for the purchase of farm real estate. Apparently, the income situation is assisting in the adjustment, as the smaller, less efficient, producers are moving out of farming and selling out to the larger, more efficient farmers, who create a demand for land through their search for efficiency in larger units. As off-farm income opportunities in the area have been good, the net effect has been to improve living conditions for many of the smaller farmers.

The West 11/

The 1959 season was one of contrasts across the Western States. This is not unusual for that part of the country, but it does differ sharply from 1958. In the 1958 season, bountiful harvests combined with favorable prices for most products. In 1959, severe drought covered much of western North Dakota and eastern South Dakota, resulting in crop failures in many areas. Production of most major crops in the West, except for corn and sugar beets, was lower than in 1958. The condition of pastures and ranges, so important to the economy of the West, was generally good in 1959, particularly early in the year. Ranges became short and dry in late summer and early fall, but moisture from storms in late September and early October improved prospects for fall and winter grazing in most of the region.

11/ For this report, the following States are included in the western region: Northern Plains States - North Dakota, South Dakota, Nebraska, Kansas; Mountain States - Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah and Nevada; and Pacific States - Washington, Oregon and California.

Prices of grains were lower, while prices for cattle and calves were a little higher than a year earlier. But trading for the fall run of range livestock was relatively slow, as most producers were reluctant to make any forward sales or contracts at current prices. By October 1, only about 45 percent of the expected total fall sales of range cattle and calves had been sold or contracted out of first hands. Similar reports for a year earlier had placed the proportion at 55 percent. Fall marketings of sheep and lambs were also behind those of last year. Total cash receipts from marketings in the region during the first 7 months of 1959 were a little higher than during the comparable period of 1958. However, this increase was not typical for all States.

Total expenses of most farm and ranch operators were about the same as or higher than last year. An increase in the number of borrowers and the average size of loans brought an increase in the amount of outstanding loans held by most lenders. Most livestock ranchers are in a little better financial condition than they were last year. Producers of nonirrigated wheat found their financial position about the same as or a little weaker than it was in 1958, while the financial condition of operators on irrigated farms varied with type of enterprise and managerial ability.

In 1959, production of all major crops except corn and sugar beets in the Northern Plains, was below the 1958 outturn. The wheat crop was more than a third below last year's large crop. In North Dakota, total crop production will be 30 percent less than in 1958. As a result of drought, 37 counties of northern and eastern South Dakota and 17 counties in central North Dakota were designated as eligible for Production Emergency loans by the Farmers Home Administration. The financial position of most farmers in this area was naturally a great deal weaker than a year ago. At the end of the 1959 season, farmers in Kansas and Nebraska were generally in a moderately weaker financial position as compared with a year earlier.

A special survey of the financial condition of ranchers was conducted in Cherry County, Nebraska. Conditions in this county are typical of those found in the Sand Hill ranching area of Nebraska and South Dakota. This is a unique area occupying about 19,000 square miles, of which 18,000 are in Nebraska. Almost the only use that can be made of the land is pasture, but the area contains some of the most desirable cattle-ranching country in the United States. Wild hay is cut in the valleys; it is the main crop of the region and is used as feed for cattle during the winter.

Despite drought conditions and increased operating costs during 1959, the financial condition of these ranchers was stronger in 1959 than it was a year earlier, largely because of an increase in prices received for cattle. This year's gain in financial condition, however, was not as great as the gain that was made in 1958.

Nearly all classes of lenders were servicing about the same number of ranchers as they did last year, but the average size of loan increased.

This was due chiefly to increases in the size of ranching operations and increased operating costs. When adjusted for price increases, merchant and dealer sales except those of building materials were about the same or a little below those of last year. However, a higher percentage were credit sales this year, and collections were a little slower than last year. For the most part, this increase in the use of credit can be explained by the fact that cattle sales are being made later this year.

Interest rates increased in 1959. Businessmen are not contemplating any changes in consumer credit policy. Banks and the production credit associations report that they are currently reviewing many of their outstanding loans and are requesting that a sizable reduction be made in loan balances this year. They will continue to make loans during 1960, although they state that they will be smaller in amount, more expensive, and will require more security than in 1959.

The general farming picture in McLean County, North Dakota, this year was one of drought, low yields, crop failures, short feed supplies, and liquidation of livestock herds. Much of the rainfall during the growing season came in highly localized storms, and as a result, crop yields varied widely from one part of the county to another. Wheat yields ranged from 35 bushels down to 3 bushels per acre, with considerable acreage abandoned or cut for hay. Flax yields generally were below normal and abandonment was very heavy in the "poor" areas. Oat yields were very poor to only fair even in the best areas, and a considerable acreage was cut for hay. The winter feed situation in the county is critical. Alfalfa hay was selling for about $25 per ton in September, and local people expected the price to go to $35 to $40 by next spring.

Representatives of credit agencies reported that they were encouraging their clients to sell down herds of livestock to achieve a safe balance between livestock numbers and available winter feed supplies. Stockmen are using the cash received from the unusually high income from livestock sales to pay debts and establish financial reserves for family living and future restocking. Local prices of wheat, flax, barley, and oats are all somewhat above support prices. Unit prices of most things farmers buy, other than feed, either held fairly steady during the last year or edged upward. Among those edging upward were repairs and parts for tractors and farm machinery.

The combined effect of unfavorable crop conditions and the fact that many older farmers have now established their eligibility for Social Security has caused a slight speed-up in the rate of retirement. In addition, applications for Conservation Reserve contracts this fall have been especially heavy.

All indications point to a considerable expansion of farm credit in the county this year. However, much of this increase occurred before the severity of the drought was recognized. There seems to have been no great

shortage of short-term or intermediate-term production credit last season. There is a shortage of long-term credit for the purchase of farmland, as well as a need for intermediate and long-term credit for farm housing and improvement.

The general consensus among respondents in the survey was that loan payments will be much smaller, delinquencies higher, and carryovers much larger than in recent years. Respondents were equally assertive, however, that there will be few, if any, foreclosures this fall.

The financial condition of the various types of farm operators varies considerably. Grain farmers without livestock were in the poorest financial condition this year. Typical livestock operators were in good financial condition because of high cattle prices. Combined grain-livestock farmers, who make up approximately 60 percent of the farm operators in McLean County, are in somewhat poorer financial condition now than a year ago, because the effects of high cattle prices offset only partly the effects of lower crop income.

Crop conditions in McLean County this year were fairly representative of conditions of North Dakota as a whole. The western three-fourths of North Dakota suffered from the general drought, the severity of which varied from one locality to another. The Red River Valley was the only part of the State with reasonably ample moisture throughout the season.

Despite the generally poor crop conditions this year, there is no financial crisis at present. Reserves from the big crops of 1957 and 1958 are alleviating the situation of many farmers and their creditors. A general tightening of short-term credit is to be expected next spring, especially on the part of dealers and country banks.

Conditions in the southern part of the Northern Plains were represented by a survey conducted in Ness County, Kansas. Farmers considered 1959 a "fair" year, crop and incomewise, but it will not compare with 1958, which was a year of "once-in-a-lifetime" crops. Most of the farmers in the county did not improve their financial condition in 1959, and perhaps a third of them were in a weaker position than in the fall of 1958. Most of them will have little or no cash left over from this year's income for saving and for investment after paying current operating expenses. Poor yields of wheat and a lower price support on grain sorghum are largely responsible for this situation.

The most frequent enterprises on farms in Ness County are wheat and sorghum, supplemented with some livestock. Insufficient moisture and wheat streak mosaic in 1959 resulted in greatly reduced wheat yields in an 18-county area in western Kansas, which included Ness County. Conditions of grain sorghum over the county were spotty this fall, and prospects for yields ranged from poor to excellent. Cattle numbers were higher at the

start of 1959 than on the same date in 1958, mainly because of a large carry-over of replacement animals and lighter culling of cows in breeding herds. Gross farm income in Ness County will be substantially smaller in 1959 than in 1958.

Expenses were higher in 1959 as a result of higher operating costs, taxes, and the cost of living. More credit was used by farmers in the county this year than last. Credit sales to farmers by merchants and dealers have been considerably higher than in 1958. Credit was used mainly for operating expenses, purchasing feeder cattle, and buying machinery and equipment. Practices and policies of lending agencies have remained about the same, but interest rates charged by most lenders increased by about one percentage point. The farmers interviewed reported that they carried no delinquent accounts or loans into the 1959 season, and most of them believed that they could meet their obligations on time this year. Ample credit seems to be available to meet the needs of farmers, and foreclosures appear to be non-existent.

Operators of small farms are still having difficulties, and generally they are in a weaker financial condition this year than last. Wheat farmers have been harder hit financially this season than have operators with more livestock. The good soil moisture conditions present this fall, however, provide favorable prospects for a good 1960 wheat crop.

Production of meat animals, primarily cattle and calves, is the chief single agricultural enterprise in the Mountain States. These cattle are primarily range cattle and calves sold to feeders in the Eastern States. Thus the agricultural economy in these States is closely related to conditions that affect the ranching enterprise. These conditions were generally favorable in 1959 for most ranchers in all except the eastern part of Montana, in Wyoming and southern Utah, and in widely scattered parts of Colorado, Idaho, and Nevada. In these latter areas, the financial condition of ranchers declined somewhat during the year as ranges suffered from lack of precipitation. Some improvement over 1958 was observed among ranchers in central Montana and northeastern New Mexico. Elsewhere, the financial condition of the ranching enterprise was about the same as last year.

Dryland wheat farmers in the region met with varied success as precipitation was spotty, and wheat yields were generally lower. Farmers in irrigated areas continued to face higher production costs with limited opportunities to expand output. The financial condition of these two general classes of farmers varies with locality and type of crop enterprise, but in general, their situation was weaker than that of the cattlemen.

The conservation-reserve feature of the Soil Bank has met with wider acceptance on the part of landowners in parts of the Mountain States than anywhere else in the Nation. Nationally, about 5 percent of the cropland was under conservation-reserve contract in 1959. In the Mountain States, the comparable figure was 7.5 percent. In New Mexico, however, about 35 percent of the cropland was signed up under the conservation reserve, the highest proportion of cropland for any State. In one New Mexico county, the contracted acres

amounted to 98 percent of the cropland. Participation was also high in Colorado, where 11 percent of the cropland was deposited in the Soil Bank and in Utah with 10 percent under contract. In the other States of the region, the comparable figure was 5 percent or less. The 1960 program is expected to pick up an additional 5.1 million acres, nationally, or an additional 1 percent of the cropland. The 12,000 contracts effective in the Mountain States during 1959 will add $25.5 million in annual rental payments to the gross income of land owners.

The summer of 1959 was the driest in the memory of many Custer County, Montana, ranchers. Range grasses got a good start this spring, but quit growing early, so the grass crop was short and the calves coming off the range were light. Ranchers appear to have enough hay and feed reserves from last year to carry their stock through with little difficulty. Most ranchers had not sold their cattle by late September and were uncertain as to how their incomes would turn out for the year. Cattle prices were generally as good as or a little better than last year, which should offset the light calves. Lamb prices were down a bit, but the price of wool was a steadying influence on the income of sheepmen. Dryland grain crops were spotty over the county, with better than average crops only in isolated areas which got a few timely showers that missed their neighbors.

Slightly lower prices combined with the lower yields will leave income from grain somewhat lower than last year. These conditions seem to be fairly typical of the eastern Montana range-livestock area. Grass was short throughout the area and grain crops spotty but generally poor.

The debt level of Custer County ranchers is about the same as that last year. Most of the debt is in short- or intermediate-term loans, which are no more difficult to get than last year. The need for production credit may be a bit higher this fall than last, but lenders expect to meet this demand with no trouble. Probably there will be a few more renewals, but they are not expected to increase much above the normal level. Savings and financial reserves do not differ appreciably from those of last year, except for a few ranchers who have reduced their cash reserves for current operating costs. The desire for land to add to the existing ranching units exceeds the market supply, with consequent high prices.

Cattlemen, who are probably in the best financial position of the various types of agricultural businesses in Custer County, are better off this fall than last. The condition of cash grain farmers was somewhat depressed this year. Ranchers with grain enterprises to back up their cattle businesses will about hold their own this year, while sheep growers will be no better and possibly a bit worse off than last year. Income prospects for irrigation farmers seem to be unchanged from last year.

Ranchers and lenders do not look for a drastic change from present conditions in the coming year. The demand for operating credit is not expected to be abnormally high. The demand for mortgage credit is expected to continue strong because of long-term pressure to increase the scale of operations on ranches and farms alike.

To obtain information on the financial condition of farmers in irrigated areas of the northern Mountain States, a special survey was conducted in Canyon County, Idaho, which is representative of irrigated areas in the lower Snake River Valley. Sugar Beets, corn, hay, grain, potatoes, vegetable and legume seeds, and specialty crops are the main crops grown. Although the average gross farm income for the county will approximate that of 1958, the overall financial position of farmers varies with the type of enterprise.

A hot, dry July, preceded by a cool spring and followed by a cool, rainy fall, damaged potatoes considerably. The potato grower got a little better price this year for his smaller product, but many producers just covered costs. Sugar beet yields were expected to be below last year's big crop, but about average. With a stable price, farmers looked to beets to offset losses in other enterprises. Prices of feed grains are about 15 percent higher than they were last year, although yields and production are lower. These higher prices for feed grains and hay, together with the continued high cost of feeder cattle, puts the cattle feeders in a somewhat poorer position financially than last year.

Yields of vegetable seeds are down from last year and late-season rains reduced the yield from alfalfa seed. Yields and prices of most fruit crops were good. A large expansion of hop acreage with very high yields, coupled with reduced export demand, caused hop prices to fall considerably below the price realized last year.

Total farm costs were up again this year owing to the increased costs of repair, labor and machinery. Taxes also were higher, and larger expenditures were made for the construction or repair of farm buildings. Lenders report that their loan volume was up 10 to 15 percent over last year. Loans were made to more farmers and the average amount loaned per borrower increased. Credit sales of merchants and dealers are up from last year, chiefly because of increased sales volume of gasoline, machinery and repairs, cars and trucks, and building materials.

Although adequate credit is available for farm loans, lenders are screening loan applications more carefully, particularly those of livestock feeders and potato-onion growers. The value of loans carried over into 1960 will be about the same as it was last year.

This year will be the best that cattle ranchers in Guadalupe County, New Mexico, have experienced for some years. Cattle prices are good and range conditions are somewhat better than last year, with cattle to be marketed at heavier weights. Operating expenses have held near the level of last year. Consequently, both gross and net income will probably be above last year's amounts and net worth positions will be somewhat improved. The income prospects this year for sheepmen in Guadalupe County are not up to earlier expectations. Although wool prices are above those of last year, lamb prices are down considerably, and producers in the area indicate a noticeable absence of buyers. The income and general financial position of sheep ranchers will not differ greatly from that of last year.

The credit situation for ranchers in the county continues to be favorable. Although the amount of credit required by ranchers has not increased substantially, more ranchers are in a financial position that would permit the assumption of such obligations. Delinquencies and foreclosures present no problem.

Those ranchers who would normally buy stocker cattle or supplement a cow-calf operation with stocker purchases when range conditions permit, probably will not increase such purchases, even though there is adequate range forage for an expansion. This is due primarily to current high prices for such cattle and a rather uncertain price outlook for 1960. However, some of the operators who stock their own replacements will increase herds by holding back more heifers.

In general, the situation for cattle ranchers in New Mexico does not differ greatly from that for ranchers in Guadalupe County. With good incomes in 1958 and 1959, following a series of unfavorable years, their net-worth positions have improved. Sheep ranches in New Mexico are also in a generally sound financial position. Dairy farmers are probably not quite as well off as they were last year, as milk prices are down and labor costs are up. If yields and grades of cotton equal late September expectations, cotton producers in the State will experience a good year. Small grain farmers, on the other hand, will likely have a little smaller income from the 1959 crop, as yields are down somewhat.

Changes in the financial condition of farmers in the Pacific Coast States are as varied as the enterprises that are found in these States. Serious debt and credit conditions exist in the apple industry of Washington as a result of 4 years of adverse weather and prices. Improved prices received by growers of berries created somewhat stronger economic conditions for these producers. As the price of eggs declined during the year, egg producers had one of their worst years since the 1940's. Cattle ranchers were generally in good financial condition, except in southeastern Oregon, where severe drought was expected to force some herd liquidation. Dairy farmers were in about the same financial condition as a year earlier, except those producing grade B milk, whose condition deteriorated.

Linn County, Oregon, is fairly representative of the diversified farming areas west of the Cascade Mountains. About a third of the farm income of the county is derived from production of seed crops, with ryegrass the most important. Much of the cropland can be used only for grass seed and grain, particularly in the southern part of the county. Thus, the overall financial situation in the county is greatly affected by the success or failure of relatively few crops.

In general, farm income in the county will be slightly higher in 1959 than in 1958. Individual farmers who did not share in better yields or slightly better prices for a few crops, will continue to be adversely affected by lower income in the face of a continued upward trend in operating costs.

A virus-disease problem plagued the producers of spring grains and, to some extent, the producers of peppermint; it resulted in near-failure of these crops in some localities. Ryegrass growers harvested a large crop of good quality. Fruit, mainly berries, and vegetable yields were normal or above. Livestock production did not change materially from last year. There is somewhat more interest, and a slight increase, in sheep and beef production, but a decline in production of poultry and eggs.

Dairy farmers as a group were in slightly better financial condition this year than a year earlier. However, some of the smaller producers of market milk who have found it impossible to enlarge their operations found a ready market for their cows, as well as for their milk quota. Efficient large-scale specialty crop producers, who relied on the income from several processing crops, were in satisfactory financial position. But many growers do not have the diversification and size of operation to earn what is considered an adequate income. The group as a whole has not improved its financial position materially this year over last. Producers of forage seed are expected to be about as well off financially as last year. Those farmers who place major emphasis on livestock production find their financial position essentially unchanged from last year. Poultry producers are in the most difficult financial position. Many small operators were forced to discontinue operations, while some larger operators have increased their farm businesses.

All classes of lenders in the county reported an increase in loans this year, with a slightly smaller carryover of loans through 1960 expected. Many farmers feel that the replacement of farm machinery, the purchase of modern equipment, and the intensification or enlargement of farm enterprises can no longer be postponed. These expenditures, together with higher operating costs, can be met to a small extent only by reducing reserves; the rest must be made up by borrowing. However, loan funds are ample and the number of delinquencies is small.

Apparently, farmers in Linn County will face a somewhat more difficult situation during the coming year than in 1959. Small operators of most types will have difficulty in meeting increased operating and living costs, while medium-sized and large operators will probably be able to reduce, or free themselves from, any indebtedness they may have. Because of an increase in costs without additional returns to cover them, dairy farmers are not likely to find their situation improved. Poultry farmers will continue to have strong competition from out-of-State areas. Specialty crop producers should be able to maintain their financial position or improve it somewhat.

Madera County, California, was surveyed as a sample of the varied crop and income pattern of an irrigated part of the San Joaquin Valley of California. The major enterprises on farms in the county are cotton, grapes, dairy, beef cattle, and dryland grain farming. Cotton and grapes tend to be the most profitable irrigated crops. The cotton-grape combination is found on many farms, but other enterprise combinations are present; notably cotton-alfalfa-corn, and corn-dairy.

Most information sources indicated continuation of an increase in operating costs in 1959 because of the rise in the general price level. Taxes, living expenses, and interest rates were somewhat higher than in 1958. Predicted gross income was generally about the same or somewhat lower than in the fall of 1958.

Cotton producers expect a relatively good year. Prices for both raisin and winery grapes are expected to be lower than in 1958. As the raisin harvest was not completed in late September, the final income and cost situation of producers depended upon drying conditions during the following weeks. The returns to grade A milk producers were about the same as in 1958, or a little lower. Grade B dairymen were considerably less fortunate, however, and more of them were shifting out of the dairy enterprise, as very few have an opportunity to convert to grade A status. Those located on irrigated farms have good opportunities for a gradual adjustment to other alternative enterprises.

An increase in the number and amount of loans made to farmers was reported by all lending agencies. Farmers reported a smaller farm-mortgage debt than in 1958, but larger outstanding debts to banks and production credit associations. Credit extended by merchants and dealers was about the same as in the previous year. Most commercial farmers had no great difficulty in obtaining credit. Although most lending agencies anticipated no increase in debt carryover or payments on delinquencies, the final 1959 outcome depends heavily upon the result of the as yet incomplete cotton and grape harvests. There were no indications that final incomes for farmers in the county would be seriously depressed, unless weather during the cotton and grape harvest deviated considerably from that of most years.

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